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FISCAL IMPACT STATEMENT

LS 7698

BILL NUMBER: SB 416

NOTE PREPARED: Feb 1, 2005

BILL AMENDED:

SUBJECT: Diagnostic Imaging and Outpatient Facilities.

FIRST AUTHOR: Sen. Gard

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill requires a licensed hospital (current law requires only a nonprofit hospital) to: (1) develop a community benefits plan; (2) annually report to the State Department of Health (ISDH) on the plan's implementation; and (3) post information concerning the hospital's charity care program and how to apply for the program.

The bill establishes financial disclosure requirements for: (1) ambulatory outpatient surgical centers; and (2) diagnostic imaging facilities; and requires a report to be filed with the ISDH.

It also requires an ambulatory outpatient surgical center and a diagnostic imaging facility to provide charity care.

The bill establishes the Diagnostic Imaging Facility Council and requires a diagnostic imaging facility to be licensed by the State Department.

The bill further establishes the Allocation of State Health Resources Commission to study and make recommendations concerning the state's allocation of health resources. It also establishes the Allocation of State Health Resources Fund.

Effective Date: July 1, 2005.

Summary of Net State Impact: *Summary:* The bill extends reporting requirements similar to those required of not-for-profit hospitals, to proprietary hospitals, ambulatory outpatient surgery centers, and freestanding

diagnostic imaging facilities. The bill also increases the number of reports that the Indiana State Department of Health (ISDH) must compile and publish.

The bill establishes a new licensing requirement for freestanding diagnostic imaging centers. It also requires the State Fire Marshall to develop and adopt building codes and design standards for ambulatory surgery centers and diagnostic imaging centers. The bill establishes the Diagnostic Imaging Facilities Council and the Allocation of State Health Resources Commission. The fiscal impact of the bill is estimated to be \$446,200 in FY 2006 and \$495,800 in FY 2007. Fee revenue associated with the bill cannot be estimated at this time.

Explanation of State Expenditures: *Community Benefit Plans:* The bill requires all licensed hospitals to develop community benefit plans, implement the plans, and report to the ISDH. Currently, this requirement applies only to not-for-profit hospitals. The ISDH web site lists 28 proprietary hospitals, one of which has ceased operations, that would be affected by this provision. ISDH reports that this provision can be accomplished within the current level of resources available for the hospital survey process.

Diagnostic Imaging Licensing Provisions: The bill establishes a 7-member Diagnostic Imaging Facility Council. The 7 members are to be appointed by the Governor. Members not employed by the state are entitled to reimbursement for travel expenses and a \$50 minimum salary per diem. Two meetings of the Council are required each year, although it may meet more often. The cost of each meeting would be \$300 in salary per diem payments to the 6 members appointed who would not be state employees, plus travel expenses. The total cost for the Council would be dependent upon the location of the members appointed by the Governor and the number of meetings held each year.

The bill requires the ISDH to annually license and regulate diagnostic imaging centers, and conduct periodic licensure inspections and inspections in response to alleged breaches of the promulgated licensure rules. The ISDH estimates that there may be 160 to 200 facilities that will meet the definition of a diagnostic imaging facility. If this is the number of facilities to be regulated, the ISDH estimates that 7 additional staff members would be required at an approximate cost of \$357,000 in the first year and \$409,000 in the second year of the program. These expenses would not be eligible for federal matching funds and so would consist of 100% state General Funds.

The bill creates a new Class A misdemeanor; that of advertising or operating a facility that is required to be licensed as a diagnostic imaging facility that is not licensed as required in the bill.

Requirements for Ambulatory Surgery and Diagnostic Imaging Centers: The bill would increase the financial reporting requirements for the ambulatory surgery centers and would require similar standards be included for diagnostic imaging centers as well. Charity care plans, implementation, and reporting are also required of both types of entities. The ISDH would need to amend the ambulatory surgery center licensure rules and include these provisions in the rules required to be promulgated for the diagnostic imaging center rules. In addition, the Department is required to publish a diagnostic imaging center “report card” for consumers. The Department estimates the combined fiscal impact of these provisions will require 1.5 staffing positions and approximately \$81,200 in the first year and \$78,800 in the second year. Expenses associated with the ambulatory surgery centers may be eligible for federal matching funds, but the extent of potential federal participation in these requirements is unknown. Expenses associated with the diagnostic imaging centers would be 100% state General Funds.

Allocation of State Health Resources Commission: The bill creates the 11-member Allocation of State Health

Resources Commission consisting of 4 legislators and 7 lay members to be appointed by the Governor. Commission members are eligible for salary per diem and traveling expenses. As a point of reference, similarly sized legislative study committees operated on budgets of \$8,000 for the 2004 interim. The Department of Health is responsible for staffing the Commission and presumably reimbursing the travel expenses and per diems of the lay members.

The bill also creates the State Health Resources Allocation Advisory Committee to be appointed by the chairperson and to assist the Commission in performing its duties. The bill is silent with regard to the expenses of the Advisory Committee. The fiscal impact of this provision would be dependent upon the number of meetings the Commission would hold and the travel expenses of the appointed members.

The bill also creates the Allocation of State Health Resources Fund, a nonreverting fund to be administered by the Department of Health. The fund is to consist of any appropriations made by the General Assembly and contributions from private sources. The bill provides that any state General Fund money left in the Fund on October 31, 2007, reverts to the General Fund and any privately contributed funds must be reimbursed to the private contributor.

Explanation of State Revenues: The State Department of Health may assess civil penalties for noncompliance of the hospital community benefits plan provisions.

Licensure Fees: The Department is required to establish a fee for the licensure of free-standing diagnostic imaging facilities. The amount of annual revenue collected from the fee would be dependent upon the number of facilities that are determined to require licensure and the level of the fee set. The Department has indicated that the fee would likely be structured in the same manner as the hospital or ambulatory outpatient surgery center fees; which are graduated based upon the gross revenue of the facility or on the number of procedures performed annually.

Penalty Provision: If additional court cases occur as a result of the operation of unlicensed diagnostic imaging facilities, and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class A misdemeanor is \$5,000. However, any additional revenue would likely be small.

Explanation of Local Expenditures: *Penalty Provision:* A Class A misdemeanor is punishable by up to one year in jail.

Explanation of Local Revenues: *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

State Agencies Affected: Indiana State Department of Health.

Local Agencies Affected: Trial courts, local law enforcement agencies.

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